

AMENDED IN SENATE JANUARY 26, 2004

AMENDED IN SENATE JANUARY 5, 2004

**SENATE BILL**

**No. 764**

**Introduced by Senator Morrow**

~~(Coauthor: Senator~~ **(Coauthors: Senators Denham and Poochigian)**

(Coauthors: Assembly Members *Bates, Benoit, Cox, Dutton, Harman, La Suer, Mountjoy, Pacheco, and Plescia*)

February 21, 2003

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An act to amend Section 205.5 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

SB 764, as amended, Morrow. Property tax: veterans' exemptions.

The California Constitution authorizes an exemption from property taxation of the principal residence of a disabled veteran, or a veteran's spouse, in the case in which the veteran has become disabled as a result of a service-connected disease or injury or has died while on active duty in military service.

Existing property tax law specifies an exemption amount of \$100,000, but increases that amount to \$150,000, if the exemption claimant's income does not exceed \$40,000 as adjusted by a specified inflation factor.

This bill would, for assessment years beginning on and after January 1, ~~2005~~ 2006, increase these exemption amounts by a specified inflation factor. This bill would also impose a state-mandated local program by requiring local tax officials to annually adjust these increased exemption amounts in accordance with a specified inflation factor.

Section 2229 of the Revenue and Taxation Code requires the Legislature to reimburse local agencies annually for certain property tax revenues lost as a result of any exemption or classification of property for purposes of ad valorem property taxation.

This bill would provide that, notwithstanding Section 2229 of the Revenue and Taxation Code, no appropriation is made and the state shall not reimburse local agencies for property tax revenues lost by them pursuant to the bill.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement, including the creation of a State Mandates Claims Fund to pay the costs of mandates that do not exceed \$1,000,000 statewide and other procedures for claims whose statewide costs exceed \$1,000,000.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 205.5 of the Revenue and Taxation  
2 Code is amended to read:  
3 205.5. (a) Property that constitutes the principal place of  
4 residence of a veteran, that is owned by the veteran, the veteran's  
5 spouse, or the veteran and the veteran's spouse jointly, is exempted  
6 from taxation on that part of the full value of the residence that does  
7 not exceed one hundred thousand dollars (\$100,000), as adjusted  
8 for the relevant assessment year as provided in subdivision (h), if  
9 the veteran is blind in both eyes, has lost the use of two or more  
10 limbs, or if the veteran is totally disabled as a result of injury or  
11 disease incurred in military service. The  
12 one-hundred-thousand-dollar (\$100,000) exemption shall be one  
13 hundred fifty thousand dollars (\$150,000), as adjusted for the  
14 relevant assessment year as provided in subdivision (h), in the case  
15 of an eligible veteran whose household income does not exceed the



1 amount of forty thousand dollars (\$40,000), as adjusted for the  
2 relevant assessment year as provided in subdivision (g).

3 (b) (1) For purposes of this section, “veteran” means either of  
4 the following:

5 (A) A veteran as specified in subdivision (o) of Section 3 of  
6 Article XIII of the California Constitution without regard to any  
7 limitation contained therein on the value of property owned by the  
8 veteran or the veteran’s spouse.

9 (B) Any person who would qualify as a veteran pursuant to  
10 paragraph (1) except that he or she has, as a result of a  
11 service-connected injury or disease died while on active duty in  
12 military service. The United States Department of Veterans Affairs  
13 shall determine whether an injury or disease is service connected.

14 (2) For purposes of this section, property is deemed to be the  
15 principal place of residence of a veteran, disabled as described in  
16 subdivision (a), who is confined to a hospital or other care facility,  
17 if that property would be that veteran’s principal place of residence  
18 were it not for his or her confinement to a hospital or other care  
19 facility, provided that the residence is not rented or leased to a third  
20 party. A family member that resides at the residence is not  
21 considered to be a third party.

22 (c) (1) Property that is owned by, and that constitutes the  
23 principal place of residence of, the unmarried surviving spouse of  
24 a deceased veteran is exempt from taxation on that part of the full  
25 value of the residence that does not exceed one hundred thousand  
26 dollars (\$100,000), as adjusted for the relevant assessment year as  
27 provided in subdivision (h), in the case of a veteran who was blind  
28 in both eyes, had lost the use of two or more limbs, or was totally  
29 disabled provided that either of the following conditions is met:

30 (A) The deceased veteran during his or her lifetime qualified in  
31 all respects for the exemption or would have qualified for the  
32 exemption under the laws effective on January 1, 1977, except that  
33 the veteran died prior to January 1, 1977.

34 (B) The veteran died from a disease that was service connected  
35 as determined by the United States Department of Veterans  
36 Affairs.

37 The one-hundred-thousand-dollar (\$100,000) exemption shall  
38 be one hundred fifty thousand dollars (\$150,000), as adjusted for  
39 the relevant assessment year as provided in subdivision (h), in the  
40 case of an eligible unmarried surviving spouse whose household

1 income does not exceed the amount of forty thousand dollars  
2 (\$40,000), as adjusted for the relevant assessment year as provided  
3 in subdivision (g).

4 (2) Commencing with the 1994–95 fiscal year, property that is  
5 owned by, and that constitutes the principal place of residence of,  
6 the unmarried surviving spouse of a veteran as described in  
7 paragraph (2) of subdivision (b) is exempt from taxation on that  
8 part of the full value of the residence that does not exceed  
9 one-hundred-thousand-dollars ~~(\$100,000)~~—(\$100,000), as  
10 adjusted for the relevant assessment year as provided in  
11 subdivision (h). The one-hundred-thousand-dollar (\$100,000)  
12 exemption shall be one hundred fifty thousand dollars (\$150,000),  
13 as adjusted for the relevant assessment year as provided in  
14 subdivision (h), in the case of an eligible unmarried surviving  
15 spouse whose household income does not exceed the amount of  
16 forty thousand dollars (\$40,000), as adjusted for the relevant  
17 assessment year as provided in subdivision (g).

18 (d) As used in this section, “property that is owned by a  
19 veteran” or “property that is owned by the veteran’s unmarried  
20 surviving spouse” includes all of the following:

21 (1) Property owned by the veteran with the veteran’s spouse as  
22 a joint tenancy, tenancy in common, or as community property.

23 (2) Property owned by the veteran or the veteran’s spouse as  
24 separate property.

25 (3) Property owned with one or more other persons to the  
26 extent of the interest owned by the veteran, the veteran’s spouse,  
27 or both the veteran and the veteran’s spouse.

28 (4) Property owned by the veteran’s unmarried surviving  
29 spouse with one or more other persons to the extent of the interest  
30 owned by the veteran’s unmarried surviving spouse.

31 (5) So much of the property of a corporation as constitutes the  
32 principal place of residence of a veteran or a veteran’s unmarried  
33 surviving spouse when the veteran, or the veteran’s spouse, or the  
34 veteran’s unmarried surviving spouse is a shareholder of the  
35 corporation and the rights of shareholding entitle one to the  
36 possession of property, legal title to which is owned by the  
37 corporation. The exemption provided by this paragraph shall be  
38 shown on the local roll and shall reduce the full value of the  
39 corporate property. Notwithstanding any provision of law or  
40 articles of incorporation or bylaws of a corporation described in

1 this paragraph, any reduction of property taxes paid by the  
2 corporation shall reflect an equal reduction in any charges by the  
3 corporation to the person who, by reason of qualifying for the  
4 exemption, made possible the reduction for the corporation.

5 (e) For purposes of this section, being blind in both eyes means  
6 having a visual acuity of 5/200 or less, or concentric contraction  
7 of the visual field to 5 degrees or less; losing the use of a limb  
8 means that the limb has been amputated or its use has been lost by  
9 reason of ankylosis, progressive muscular dystrophies, or  
10 paralysis; and being totally disabled means that the United States  
11 Department of Veterans Affairs or the military service from which  
12 the veteran was discharged has rated the disability at 100 percent  
13 or has rated the disability compensation at 100 percent by reason  
14 of being unable to secure or follow a substantially gainful  
15 occupation.

16 (f) An exemption granted to a claimant in accordance with the  
17 provisions of this section shall be in lieu of the veteran's exemption  
18 provided by subdivisions (o), (p), (q), and (r) of Section 3 of  
19 Article XIII of the California Constitution and any other real  
20 property tax exemption to which the claimant may be entitled. No  
21 other real property tax exemption may be granted to any other  
22 person with respect to the same residence for which an exemption  
23 has been granted under the provisions of this section; provided,  
24 that if two or more veterans qualified pursuant to this section  
25 coown a property in which they reside, each is entitled to the  
26 exemption to the extent of his or her interest.

27 (g) Commencing on January 1, 2002, and for each assessment  
28 year thereafter, the household income limit shall be compounded  
29 annually by an inflation factor that is the annual percentage  
30 change, measured from February to February of the two previous  
31 assessment years, rounded to the nearest one-thousandth of 1  
32 percent, in the California Consumer Price Index for all items, as  
33 determined by the California Department of Industrial Relations.

34 (h) Commencing on January 1, ~~2005~~, 2006, and for each  
35 assessment year thereafter, the exemption amounts set forth in  
36 subdivisions (a) and (c) shall be compounded annually by an  
37 inflation factor that is the annual percentage change, measured  
38 from February to February of the two previous assessment years,  
39 rounded to the nearest one-thousandth of 1 percent, in the

1 California Consumer Price Index for all items, as determined by  
2 the California Department of Industrial Relations.

3 SEC. 2. Notwithstanding Section 2229 of the Revenue and  
4 Taxation Code, no appropriation is made by this act and the state  
5 may not reimburse any local agency for any property tax revenues  
6 lost by it pursuant to this act.

7 SEC. 3. Notwithstanding Section 17610 of the Government  
8 Code, if the Commission on State Mandates determines that this  
9 act contains costs mandated by the state, reimbursement to local  
10 agencies and school districts for those costs shall be made pursuant  
11 to Part 7 (commencing with Section 17500) of Division 4 of Title  
12 2 of the Government Code. If the statewide cost of the claim for  
13 reimbursement does not exceed one million dollars (\$1,000,000),  
14 reimbursement shall be made from the State Mandates Claims  
15 Fund.

16 SEC. 4. This act provides for a tax levy within the meaning of  
17 Article IV of the Constitution and shall go into immediate effect.

